REPORT NO. 243

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THE UNIFORM COMMERCIAL CODE AS RELATED TO ARIZONA AGRICULTURE

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by

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Introduction

Arizona adopted the Uniform Commercial Code February 20, 1967; it becomes effective January 1, 1968. In passing the Code the legislature has effected a complete overhaul of laws governing many types of business transactions in the state. This change in statutes is of prime importance to everyone who does business in Arizona.

The Uniform Commercial Code, originally drafted in the 1940's by groups of legal practitioners and scholars working closely with representatives of many commercial associations, was the product of a multitude of pressures eminating from changes in the business world which have been associated with progress of the technological revolution. Methods of transportation have become more varied, communication has become faster and more reliable, business methods and records have been revolutionized, and the number and size of transactions have multiplied. Such changes called for adjustment in the laws under which business functions--more rapid adjustment than generally was being made in state laws. Moreover, greater uniformity among state laws was

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needed to facilitate conduct of business, particularly where the territory served or involved in business transactions lay in more than one state. Out of a multitude of such pressures developed the monumental effort and consensus required to draft the Uniform Commercial Code. The Code has now been adopted by all states except Louisiana.[2]

The Uniform Commercial Code is divided into nine articles which extend over the law of sales, negotiable instruments, documents of title, bank collections, investment securities, bulk sales, letters of credit, and secured transactions. Provisions of the Code relating to sales and secured transactions, including foreclosure, are of primary concern for agriculture. A general outline of the major provisions of the Code pertaining to these types of transactions is set forth in this publication.

The Law of Sales

The sales provisions of the Uniform Commercial Code retain very little language of the Uniform Sales Act, which has governed commerce in Arizona for sixty years. Instead of the seemingly straightforward and simple provisions of the older enactment, the Code is composed of complicated sections that bristle with technical language. Moreover, in some respects, the new statute takes a drastically new approach to the law.

Perhaps the most important change in the law of sales is one designed to permit the continued expansion of commercial practices through custom,

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2. Arizona, like other states, has modified some of the provisions of the Code. The discussion in this publication is based upon the Arizona text.

usage, and agreement between the parties. The emphasis of the Uniform Sales Act upon rules of property law is scrapped; it is replaced by an orientation toward the law of contracts. Thus, generally speaking, whatever the seller and buyer agree upon in a sales contract shall be the law between them regarding that transaction. (1-102)[3] This power of the parties is, however, limited by the requirement that contracts be reasonable. (2-302)

The sales provisions are principally located in Article 2 of the Code. It is organized into seven parts, the first of which contains definitions of the terms used in the Article. The other parts each relate to a major area of the law of sales. They concern the formation of a contract to sell goods, the obligations of the seller and buyer under such an agreement, the rights of other persons who might be affected by a sales contract, performance of contracts, breach of contract, and remedies against a party in breach.

Definitions of Terms

The article on sales in the Uniform Commercial Code applies only to the "sale of goods," not to transactions designed to operate merely as security transactions, nor to real estate sales or contracts. (2 102) Consequently it is important to know the meaning of the terms "sal(and "goods." A sale consists in the "passing of title from the seller to the buyer for a price."

3. Major provisions of the Code are referred to herein by citation to section numbers of the Uniform Commercial Code as they are used in the Official Text of the Code of the American Law Institute and the National Conference of Commissioners on Uniform State Laws. This numbering system was altered by the Arizona legislature to fit the Code into Title 44 of the Arizona Revised Statutes.

(2-106) Goods refers to things that are movable, other than the money, investment securities, and commercial instruments such as checks and negotiable notes. The term also includes the unborn young of animals and growing crops. (2-105) A contract for the sale of minerals to be removed from the real property by the seller is included under the sale of goods; a contract for the sale of timber to be cut by either the buyer or the seller also is included under the sale of goods. (2-107)

The terms "seller" and "buyer" mean substantially what a nonlawyer would think. Buyer means a person who buys or contracts to buy goods, and seller designates a person who sells or contracts to sell goods. (2-103) Merchant, on the other hand, has a more expansive definition than that given it by laymen. It not only includes a dealer in the type of goods involved in the sale, but also covers someone who "otherwise by his occupation holds himself out as having knowledge or skill peculiar to the practices or goods involved" or who employs someone who so holds himself out. (2-104) This notion of a professional in business is important; many of the sales provisions are more stringent with regard to merchants than nonmerchants.

Formation of a Contract

The seller and the buyer may make a contract for sale by any manner sufficient to show an agreement between them. It can be an oral contract as well as a written one, and it can be entered into by conduct of the parties which recognizes the existence of such a contract. (2-204)

Not all agreements are enforceable in a court of law though. Contracts for the sale of goods for a price of $500 or more usually will not be enforced by courts unless they are in writing or there is a written memorandum of agreement. Two of the major exceptions permitting enforcement of oral contracts for the sale of $500 or more of goods apply where either the seller has been paid for them or the buyer has accepted and received them. In such instances of part performance the seller would be obliged to deliver the goods paid for or the buyer to pay for the goods delivered to him. The agreement would not have to be in writing. (2-201)

Where there is a written sales agreement, its terms may not be contradicted by evidence of any prior agreement or of a contemporaneous oral agreement. The terms of the contract, though, may be explained or supplemented by course of dealing or usage of trade or by course of performance. Sometimes also there can be employed evidence of consistent additional terms. (2-202)

Obligations of the Seller and Buyer

When a sales agreement has been reached, the obligation of the seller is to deliver the goods; that of the buyer is to accept and pay for them. (2-301) The Code permits the parties to enter into a binding contract, however, whereby the quantity of goods to be delivered is not specified and the price is left open, both to be established by a supplementary agreement at a later date. (2-305, 2-306)

The new law places upon the seller of goods certain so-called "warranty" obligations that concern title to the goods and their quality. By the act of sale the seller "warrants" that the title conveyed shall be good, and its transfer rightful. This obligation can be escaped only by using language or circumstances to show that the seller did not claim title or was merely purporting to sell such title or right as he or a third person had. There is also a warranty that the goods shall be delivered free from any security interest of which the buyer had no knowledge at the time of contracting. (2-312)

Warranties of quality are classified by the Code as "express" or "implied." Express warranties typically arise from guarantees given by the seller. (2-313) Implied warranties are imposed by the statute when certain conditions exist at the time of the sale. When goods are sold by a merchant, he is said to warrant that they are of "merchantable quality." (2-314) If they are not, he has broken his contract and the buyer may resort to legal remedies for breach of contract. The seller, who at the time of contracting has reason to know any particular purpose for which the goods are required and that the buyer is relying on the seller's skill and judgment to select or furnish suitable goods, impliedly warrants that the goods shall be fit for such purpose. (2-315) If they are not, the buyer can resort to legal remedies.

Not all persons who suffer losses because of the poor quality of the goods delivered will prevail in lawsuits involving warranties. It is important to note that the seller in his contract can modify warranties or exclude them altogether. (2-316) This is rather common practice in commercial transactions. Also the Code, although it permits buyers to recover from their own sellers, does not state whether the seller's warranties, given to his buyer who resells, extend to other persons in the distributive chain. (2-318 comment 3) The courts will have to resolve this question of whether there must be privity of contract between the plaintiff and the defendant.

The Rights of Other Persons

Generally the rights of a creditor of the seller to goods sold by him are subordinate to the buyer's rights to those goods if the creditor has no mortgage or security interest in the goods. (2-402) The seller's creditors would, though, prevail where the transfer of property hindered, delayed or defrauded them within the meaning of the Uniform Fraudulent Conveyance Act, a statute already in force in Arizona. A so-called "bulk sale" is another illustration of victory by the seller's creditors over his buyer. Under Article 6 of the Code, a retailer's transfer in bulk of a major part of his stock in trade would be subject to attack by his creditors.

Where the buyer of goods resells them, the purchaser obtains whatever interest in the goods the seller had, or had power to transfer. (2-403) This means, for example, that someone who buys equipment from a person who does not have title to it and who has no power to transfer title to it, obtains no title to the equipment and would have to relinquish it to whomever had such title. However, where goods have been entrusted to a merchant who deals in goods of that kind, the Code provides that he has power to transfer all rights of the person who entrusted the goods to him to a customer who buys the goods in the ordinary course of business. (2-403) For example, a manufacturer may deliver machinery to a dealer on consignment. The machinery dealer has power under the Code to give clear title to the purchaser of a machine, even though the machinery dealer had not paid the manufacturer for the machine.

Performance of Contracts

Two of the more important problems that the Uniform Commercial Code deals with in the area of performance by parties to a contract concern "risk of loss" and "inspection."

The phrase "risk of loss" pertains to loss caused to goods due to damage which may reduce their value or to destruction during the period of time from initiation to conclusion of a sale. Should the parties fail to make an agreement regarding "risk of loss," the Code provides that the seller, if he is a merchant, shall bear the risk of loss until the buyer takes possession of the goods. Where the seller is not a merchant, the risk passes to the buyer when the seller attempts to make delivery. If the seller bears the "risk of loss" and there is a loss, the seller must still fulfill his part of the contract by delivering the goods specified. Similarly, if the buyer has the risk and there is a loss, he must nevertheless pay for the goods. (2-509, see also 2-510)

The provision regarding "inspection" relates to the right of the prospective buyer to inspect the goods. If there is no agreement as to the right of the buyer to inspect, the Code provides that the buyer has a right before payment or acceptance to inspect them at any reasonable place and time and in any reasonable manner. (2-513)

Breach of Contract

Failure by the seller to conform to the requirements of the contract regarding the quality, quantity, or delivery of the goods called for constitutes a breach by him of the sales agreement. The buyer then may, unless the contract provides otherwise, reject the goods or accept them in whole or in part. (2-601) If the buyer accepts the goods and then discovers that they so fail to conform to the contract that their value is substantially impaired, he has a reasonable time within which to revoke his acceptance. (2-608)

If either party repudiates the contract with respect to a performance not yet due, the loss of which will substantially impair the value of the contract to the other, the aggrieved party may, at his option, (a) await performance by the repudiating party for a commercially reasonable time, (b) resort to any remedy for breach of contract, and (c) in either case suspend his own performance. (2-610)

The draftsmen of the Code have sought to minimize the economic loss to society from breach of sales contracts by incorporating the concepts of "cure" and "cover" into the new statute. The theory is to bring about a substituted performance in place of the performance of the broken promise, rather than to resort to legal remedy. The buyer must give notice to the seller of the particular defect in the seller's performance upon which he is relying to justify rejection. If by reasonable inspection the buyer could ascertain that a defect exists and does not give notice, the Uniform Commercial Code precludes him from using it to establish breach of contract providing the seller could have cured the defect if it had been seasonably stated. (2-605) When the seller is in breach the Code allows, but does not require, the buyer to "cover" by making in good faith and without unreasonable delay a purchase of goods in substitution for those due from the seller. (2-712)

Remedies

When the buyer breaks his sales contract, the seller may withhold delivery of the goods; he may resell them and recover damages for any loss, or seek damages for the buyer's failure to accept them; he may, in some cases, sue for the price of the goods. (2-703)

When the seller fails to make delivery or repudiates his contract, or when the buyer rightfully rejects or justifiably revokes acceptance of goods received, the Code permits the buyer to cancel the contract, buy what he needs elsewhere, and sue for any damages caused to him by the seller's breach. (2-711) In some instances, the buyer is entitled to go to court for an order requiring the seller to perform his contract and deliver the goods. (2-716)

Consistent with its general concept of allowing the parties to make their own arrangements when they see fit, the Code stipulates that, within limits, they may by contract change the remedies set forth by the statute or stipulate the amount of damages that may be recovered for breach. (2-719)

The Law of Secured Transactions in Goods

When goods are sold on credit, if the vendor chooses not to run the risk of failure by the purchaser to pay, he will insist that a "secured transaction" arrangement be entered into. The seller, or whomever else advances the purchase price, will retain or obtain a security interest in the goods being sold. Sould the debtor not pay, his creditor may use this security interest in order to obtain what is owing to him. He is "secured."

Until adoption of the Code, each state had several different laws concerning secured transactions for financing the sale of goods. Separate statutes related to chattel mortgages (mortgages on moveable property), to conditional sales (the most common kind of installment buying credit device), trust receipts (the principal means whereby dealer inventories were financed), and other forms of secured transactions. The Uniform Commercial Code repeals all of these statutes and replaces them with its Article 9. Except for pledges[4] the emphasis is changed from the form of the agreement to the kind of collateral involved. (9-101 comment) New forms of legal documents are provided for by the Code. However forms currently in use in Arizona can still be used and, in fact, pre-Code forms are still used to a degree in some states which adopted the Code several years ago. The Code makes no changes in secured transactions involving real estate.

Definitions of Terms

Under Article 9 of the Code, the two parties in a secured transaction are the debtor (borrower or buyer) and the secured party (lender or secured seller). The secured party obtains a security interest (lien) in collateral

4. A pledge is a security interest in chattel property created by manual delivery of the chattel to the creditor under an agreement that the creditor is to retain possession until the debtor has paid in full. A good example is pawning an item of personal property at a pawnshop.

(chattel property used as security) by entering into a security agreement. (an agreement which creates or provides for a security interest) with the debtor. (9-105)

The classification of goods or collateral involved in a transaction is very important since the classification determines what method is used by the secured party to protect his security interest against the claims of third parties such as other creditors of the buyer and purchasers from the buyer. Personal property may be tangible or intangible. Tangible personal property, called "goods," includes all property which is moveable at the time the security interest attaches and also standing timber which is to be cut. (9-105) "Goods" are classified by Article 9 into four categories according to the function or "purpose" they serve. (1) Consumer goods include tangible property bought or used for personal, family, or household purposes. (2) Equipment consists of personal property which is bought for use primarily in business, including farming. (3) Farm products include crops, livestock, and supplies used or produced in farming operations. They also include products of crops or livestock in their "unmanufactured" states (such as milk, eggs, wool clip, ginned cotton, maple syrup, honey) if they are in the possession of a debtor engaged in farming operations. If goods are farm products they are neither "equipment" nor "inventory." (4) Inventory includes goods held by a person who holds them for sale or leasing, or to be furnished under contract of service. Inventory also includes raw materials, work in progress, or materials used or consumed in a business (9-109)

Intangible personal property includes items such as promissory notes, bonds, stock certificates, accounts, and contract rights, which have little or no value in and of themselves but are valuable because of the legal right or rights they represent. It is classified in six groups. (1) Instruments include items such as a promissory note, bond, and corporate stock certificates. (2) Documents of title are such things as bills of lading, warehouse receipts, dock receipts, and gin tickets. (3) Chattel paper means writing that evidences both a monetary obligation and a security interest in goods. For example, a farmer buys a tractor "on time," and gives the tractor as the collateral for the obligation. He signs a written security agreement which identifies the tractor and acknowledges the debt. Together the security interest in the tractor and the obligation of the farmer comprise one form of chattel paper. (4) An account is any right to payment for goods sold or for services rendered which is not evidenced by an instrument or chattel paper, such as accounts receivable. (5) A contract right is any right to payment, not evidenced by an instrument or by chattel paper, that arises under a contract and has not yet been earned. (6) General intangibles are any personal property not included in the above classifications. Rights under insurance policies and passbook accounts are illustrations. (9-106)

Creation of a Security Interest

There are three basic prerequisites to the creation of a security interest: (1) a security agreement, (2) giving of value by the creditor, and (3) obtaining of rights to the collateral by the debtor. When these three coexist a security interest may, in the terminology used in Article 9, "attach." This term, loosely used, means "create." Thus, "a security interest attaches to collateral" means "a security interest is created in collateral." "Value is given" when a loan is made by the lender or secured party. The farmer has "rights" in crops when they are planted or when they otherwise become growing crops; he has "rights" in the young of livestock when they are conceived. (9-204)

For a security interest to be enforceable by the creditor, either the collateral must be in his possession, or there must be a written security agreement signed by the debtor which contains a description of the collateral. If the security is to cover crops, oil, gas, mineral, or timber to be cut, the land related to the collateral must also be described in the agreement. When the agreement includes within the scope of the collateral proceeds from the sale of collateral, the work "proceeds" is sufficient without further description to comply with the requirements of the Code. (9-203)

A security interest may arise in two ways: In connection with purchase or rental of property, and by obtaining a loan on property already owned. The first, called a "purchase money security interest," enjoys greater protection against the claims of third parties than does a nonpurchase money security interest. Such an interest is created when the seller of collateral retains a security interest to secure all or part of the purchase price. (9-107) For example, a farmer might buy a tractor "on time," paying $1,000 down and giving the machinery dealer a purchase money security interest in the tractor as collateral for the balance of the purchase price. A purchase money security interest is also created when a lender makes a loan to enable the borrower to acquire rights in or use of collateral providing the loan is, in fact, made for such purpose. In our tractor example, the farmer might have gone to his banker and told him he wished to borrow the money to buy the tractor. If the bank made the loan and entered into a security agreement with the farmer, the bank would have a purchase money security interest in the vehicle as collateral for the loan, assuming the loan proceeds were, in fact, used to purchase it.

Article 9 permits a lender and a borrower in one transaction and in one financing statement, properly filed, to create a security interest in all the various classes of collateral, including future advances and after-acquired property, that is property that comes into the ownership of the debtor after the security agreement is entered into. This broad security interest, called a "floating lien," was invented in pre-Code days and used in financing of manufacturers in some of the eastern states by a method known as "factoring." A major contribution of the Code was to extend the floating lien beyond the old factoring cases and make it available for use in other instances where financing of that sort might be desirable. However, availability of the floating lien may deter extension of open-account credit by suppliers.

The Code includes a provision requiring exercise of good faith in all transactions which it covers. (1-203) Thus, a lender with a comprehensive security agreement with a farmer is required to exercise good faith in financing the business. Should he refuse to make further credit extensions, which he may have the right to do under his agreement, there may arise the question of whether he can also prohibit the farmer's seeking funds elsewhere by giving a second security interest in his assets. Under certain circumstances, the lender may be held liable for losses suffered by the borrower which resulted from insufficient credit.

Perfection of a Security Interest

The Uniform Commercial Code has borrowed the concept of "perfection" from the National Bankruptcy Act. A security interest is said to be "perfected" whenever the creditor has taken the necessary steps to obtain the maximum protection the law will allow against the claims of other persons to the collateral. The creditor seeks to "perfect" his interest so that it is immune from attack by other creditors of the debtor. (9-301) Even a perfected security interest, however, is not valid against a prior perfected security interest (9-312), against tax claims, and in some instances against certain purchasers from the debtor. The buyer in the ordinary course of business, other than the purchaser of farm products from a farmer, takes free of the perfected security interest that the seller's creditor has created in the property sold. Also a buyer of consumer goods or farm equipment having a purchase price not in excess of $2, 500 takes free of a perfected security interest if he buys (a) without knowledge of the security interest, (b) for value, (c) for his own personal, family, or household purposes (or in the case of farm equipment for his own farming operations), and (d) before a financing statement has been filed by the secured party. (9-307)

Perfection is accomplished in three different ways: (1) taking possession of the collateral, (2) filing with the county recorder a "financing statement," and (3) in some cases, merely by creating a security interest. (9-302) Taking possession of collateral is feasible when it is intangible, as in the case of negotiable instruments and investment securities. (9-305) However, when the collateral is a tangible, usually the debtor wants to retain or obtain possession of it so he can use it. Hence it would not be often that a secured party would perfect his security interest by taking possession, for example, of a farmer's tractor.

The type of collateral determines whether a nonpossessory security interest in tangible property is perfected when created or whether it has to be filed for perfection. The Code is written in terms of a general requirement of filing and then it makes certain exceptions. A financing statement need not be filed to perfect a purchase money security interest in farm equipment having a purchase price not in excess of $2, 500, or to perfect a purchase money security interest in consumer goods. (9-302) As noted above, though, filing is necessary in these cases to protect the creditor against certain purchasers from the debtor. A financing statement must be filed when the collateral is inventory, farm products, equipment other than farm equipment, motor vehicles required to be licensed, farm equipment with a purchase price in excess of $2, 500, and nonpurchase money security interests in farm equipment (irrespective of the price) and in consumer goods.

In most cases the secured person must perfect his security interest just as soon as it has been created in order to prevent third persons from obtaining a priority interest in the collateral by acting after the interest was created but before it was perfected. In some cases, however, the statute provides for a temporary perfection after the creation of the security interest without filing or taking possession. This "grace period" gives the creditor 10 days after the collateral comes into the debtor's possession within which to file. If he acts within that time he will prevail over some third persons who obtain their interests during that time. (9-301) In some cases of instruments or negotiable documents as collateral there is a 21 day period of grace. (9-304)

A security interest in crops, growing or to be grown, which is perfected by filing with the county recorder, becomes unperfected when the crops are harvested and removed from the farm. However, if the financing statement covers proceeds, the security interest remains perfected in any income received from sale or other disposition of the crops. (9-306)

Policing of collateral by the secured party is not required under the Code to validate a security interest. (9-205) However, as a practical matter policing is still essential to make certain that the collateral is not being dissipated. A security interest, even though valid as against the debtor and perfected as against third persons, is not very valuable if the collateral is gone.

Filing of a Financing Statement

The "financing statement," which must in most instances be filed for perfection, should not be confused with a financial statement such as a balance sheet. The "financing statement" is the document that is filed by the secured party in order to comply with the Code's requirements for perfection of nonpossessory security interests. It must show the name and mailing address of both the debtor and secured party, and contain a description of the collateral, together with a description of the associated real property if the collateral is crops or timber. The financing statement must be signed by both the debtor and secured party. No affidavit or witnesses are required. (9-402) The filing fee is $2.00.

When the collateral is equipment used in farming operations, or farm products, or accounts, contract rights or general intangibles arising from or relating to the sale of farm products by a farmer, or consumer goods, then the proper place to file the financing statement in order to perfect the security interest is in the office of the county recorder in the county of the debtor's residence. In addition, when the collateral is crops, the financing statement must be filed in the office of the county recorder in the county where the land on which the crops are growing or to be grown is located. Filing should be in the office where a mortgage on the real estate concerned would be filed if the collateral is goods affixed to the real estate or timber to be cut. In all cases, other than the foregoing, filing is to be in the office of the secretary of state in Phoenix. (9-401)

A statement should be filed promptly in order to avoid intervening rights from attaching to the collateral. It may be done either before or after the security interest attaches. It is accomplished either by presentation of a financing statement and tender of the filing fee, or by acceptance of the statement by the filing officer. A filed financing statement is effective for a period of six years from the date of filing. The period can be extended beyond six years by filing a continuation statement prior to the expiration date. (9-403)

When a secured obligation is paid in full and no further committments to extend credit are contemplated, the secured party must, upon written demand of the debtor, give the debtor a statement terminating the security interest. If the secured party is an organization maintaining branch offices, the request should be sent to the branch at which the secured transaction was entered or at which the debtor has made payment of his obligation. Failure to provide such a termination statement within ten days after proper demand, makes the secured party liable to the debter for $100, and in addition for any loss caused to the debtor by such failure. Termination statements should also be filed. (9-404)

When a secured party desires to assign or transfer his interest in any collateral on which a financing statement has been filed, a statement covering the assignment also may be filed. If an assignment is made concurrently with filing of the financing statement, the assignment may be endorsed on the financing statement before it is filed. (9-405)

Foreclosure

Procedures to be followed in foreclosure are set forth in Part 5, Article 9, of the Code. When a debtor is in default under a security agreement, the secured party, with certain exceptions, has the rights and remedies provided in the security agreement. (9-501) In general, these may include acceleration (declaration that all future installments are immediately due and payable), repossession, and foreclosure. (9-503)

The Code sets forth two methods of foreclosure. They permit the secured party to dispose of the collateral in order to raise funds to repay the obligation due him from the debtor. Except in the case of certain consumer goods, a secured party who takes possession of collateral after default may, providing proper notices are given, keep the collateral in satisfaction of the indebtedness if no written objection from the debtor is received within certain time limits. (9-505) However, if the debtor makes a timely written objection, the secured party must sell, lease, or otherwise dispose of the collateral. Also in some cases of consumer goods this "sale" method of foreclosure is required. Disposition of the collateral may be by private or public proceedings, as a unit or in parcels, at any time and place, and on any terms, but the method, manner, time, place, and terms of the foreclosure sale must be commercially reasonable. The secured party may purchase the collateral if it is disposed of at a public sale, and also under certain other circumstances. (9-504)

After retaking by the creditor and before foreclosure, the debtor has the power to "redeem," or to reinstate the security agreement, providing he has not otherwise agreed in writing after default. To redeem the debtor must make all payments due, including any amounts that have been properly accelerated and such reasonable expenses as the costs incurred by the secured party in retaking, holding, and disposing of the collateral. (9-506)

The secured party must account to the debtor for any surplus after disposition of the collateral by foreclosure sale. (9-504) Unless otherwise agreed or provided in the security agreement, the debtor is liable for any deficiency. The secured party is obligated to comply with the Code in taking action on a default. Otherwise the debtor or any other person with proper rights may recover damages or loss caused by the failure to comply with the Code provisions. (9-507)

Conclusion

The Code is the longest law ever enacted in Arizona. It is also probably the most technical and complex. This short exposition is no primer on how to use it. It is an effort to introduce the subject so persons with agricultural interests may have some information on legal problems that can arise, and seek advice from legal counsel in time to avoid potential pitfalls.